Monitoring of Long Distance and Cellular Telephone Costs Continues To Need Improvement

September 2001

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 25, 2001

MEMORANDUM FOR DEPUTY COMMISSIONER FOR MODERNIZATION &
CHIEF INFORMATION OFFICER

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Monitoring of Long Distance and Cellular Telephone Costs Continues To Need Improvement

This report presents the results of our review of the Internal Revenue Service's (IRS) management of telecommunications costs related to long distance telephone calls, calling cards, and cellular telephones. In summary, IRS management has initiated numerous corrective actions since 1993 to improve internal controls in the telecommunications area. However, controls over its telecommunications costs, which were deemed a material weakness by the IRS 7 years ago, still need improvement. Specifically, IRS management needs to improve the monitoring of long distance, calling card, and cellular telephone charges because many of the corrective actions have not been fully implemented or have not been effective in controlling the costs.

IRS management provided an adequate, detailed response to our draft report and is taking actions to address the telecommunications cost issues. Management's complete response to the draft report is included as Appendix VII.

Our recommendations will provide measurable benefits to tax administration in the form of protection of resources of $1,092,200. These benefits were previously discussed with Telecommunications Division management. Appendix IV of this report provides a detailed description of these benefits, which will be included in our Semiannual Report to the Congress.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Scott E. Wilson, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

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Executive Summary

The Internal Revenue Service (IRS) is completing the transition of its Federal Telecommunications System (FTS)[1] long distance telephone service from AT&T to Sprint and is scheduled to implement the Telecommunications Asset Tool (TAT) in July 2001 for monitoring and tracking telecommunications assets. The IRS is also in the process of drafting national guidelines to centralize the issuance and usage of cellular telephones.

The overall objective of this audit was to determine whether the IRS is effectively managing the telecommunications costs related to FTS long distance calls, calling cards, and cellular telephones. We also followed up on related corrective actions contained:

1) In two prior audit reports, *Review of the Service's Controls over Voice Telecommunications Charges* (Reference Number 034908, dated September 1993) and *Review of the Service's Efforts to Control Off-Net Long Distance Telecommunications Costs* (Reference Number 082603, dated March 1998).

2) In the November 9, 2000, Federal Managers' Financial Integrity Act Progress Report regarding the material weaknesses in the IRS' controls over its telecommunications costs.

Results

The IRS began work to improve controls in the telecommunications area based, in part, on our prior audit findings reported over 7 years ago. Although many corrective actions have been initiated to improve telecommunications controls, the reported issues still exist as planned actions were not completed or were not effective due to numerous reorganizations and unclear program accountability. Improving telecommunications controls would provide additional assurance that the planned Fiscal Year (FY) 2001 FTS long distance and cellular telephone service expenditures of over $20 million[2] are properly spent for these services.

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[1] The General Services Administration FTS provides a comprehensive program of voice, data, and video services to government agencies.
[2] FTS telephone service includes: switched voice service, video conferencing, calling cards, and administrative toll-free services.

Long Distance Telephone Calls Are Not Reviewed

In the two prior audits in 1993 and 1998, weaknesses were identified in the IRS' process for reviewing telephone call reports. Since then, the IRS has been involved in the development of several different computer systems that were to be used for review purposes to better control long distance telephone costs. However, reviews have not been conducted on a regular basis because of delays in implementing system software and the lack of fully approved detailed review procedures.

Our analysis of the long distance telephone billing information showed that, for Calendar Year 2000, over 17,000 telephone calls costing approximately $1,092,200 for 53,439 hours of usage[3] would have been identified as questionable charges by IRS management had they reviewed the information using the four original IRS-approved review criteria. Additional analysis showed that over 842,000 telephone calls costing $743,000 for 215,144 hours of usage would have been identified as questionable charges by IRS management had they reviewed the information using the six revised IRS-approved review criteria.[4]

In addition to the cost of the questionable telephone calls, there is the potential for lost staff time on unauthorized or unnecessary telephone calls. Furthermore, telephone bills are not being reviewed for accuracy, and controls over calling cards have not been fully implemented.

Controls Over the Cellular Telephone Inventory and Costs Are Not Effective

Cellular telephone control weaknesses and the lack of national guidelines to control the acquisition or use of cellular telephones were reported in the prior audit in 1993. The IRS agreed to monitor and control cellular telephone usage and maintain an accurate inventory. However, national guidelines have not been developed nor an accurate inventory maintained. As a result, there is no assurance that the cellular telephone program, which has recently seen extensive growth, is managed efficiently as charges have been as much as $1,000 for 1 month's telephone charges for a single cellular telephone.

Summary of Recommendations

The Deputy Commissioner for Modernization & Chief Information Officer should ensure that guidelines and procedures for reviews and billing verification of long distance

[3] Based on our analysis of billing information for the period of March through August 2000 and assuming similar calling patterns for the rest of the calendar year.
[4] These figures cannot be combined because the original and revised criteria identify some of the same calls.

telephone charges and for cellular telephone issuance and usage are developed, implemented, and monitored. In addition, controls should be implemented to ensure calling cards are periodically inventoried and issued only to authorized IRS employees.

Management's Response: IRS management will implement guidelines and procedures for reviews of long distance telephone charges using approved criteria; implement the TAT with procedures for verifying long distance billing; inventory calling cards annually; and implement guidelines and procedures for cellular telephone issuance, usage, and monitoring.

Management's complete response is included as Appendix VII.

Office of Audit Comment: In the Corrective Action Monitoring Plan for recommendation #2, IRS management provides that a TIGTA audit of the TAT was requested. While we included an audit of the TAT in our FY 2002 Annual Audit Plan, TIGTA audits do not replace the need for management to monitor the corrective actions.

Objective and Scope

The overall objective of this audit was to determine whether the IRS effectively manages telecommunications costs related to FTS long distance calls, calling cards, and cellular telephones.

The overall objective of this audit was to determine whether the Internal Revenue Service (IRS) effectively manages telecommunications costs related to Federal Telecommunications System (FTS)[1] long distance calls, calling cards, and cellular telephones. To accomplish our objective, we reviewed the:

- Policies and procedures that have been issued to establish controls over this area.
- Corrective actions taken to address issues previously reported in September 1993[2] and March 1998.[3]
- Results of management's reviews of this area.
- Long distance and cellular telephone billing information.

Audit work was conducted in the National Headquarters and the Tennessee Computing Center during November 2000 through May 2001. The audit was scheduled as part of the Treasury Inspector General for Tax Administration's (TIGTA) Fiscal Year (FY) 2001 Annual Audit Plan and was performed in accordance with *Government Auditing Standards*.

Details of our audit objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

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[1] The General Services Administration FTS provides a comprehensive program of voice, data, and video services to government agencies.
[2] *Review of the Service's Controls over Voice Telecommunications Charges* (Reference Number 034908, dated September 1993).
[3] *Review of the Service's Efforts to Control Off-Net Long Distance Telecommunications Costs* (Reference Number 082603, dated March 1998).

Background

Problems previously reported included that the IRS was not verifying the accuracy of FTS bills, unauthorized telephone calls were not being detected, and the controls over calling cards and cellular telephones were inadequate.

In September 1993 and March 1998, the IRS' Internal Audit function (now TIGTA) reported that the IRS was not verifying the accuracy of FTS bills, unauthorized telephone calls were not being detected, and the controls over calling cards and cellular telephones were inadequate.

In 1994, the IRS categorized the internal controls over its telecommunications costs as a material weakness[4] as part of the Federal Managers' Financial Integrity Act (FMFIA)[5] internal control assessment process. Since that time, the IRS has prepared numerous action plans and planned over 30 specific corrective actions to improve the controls over these costs. Planned corrective actions included:

- Determining the number of offices that cannot record telephone call details (e.g., the originating number) and developing an action plan to correct the situation.
- Developing a computerized system for monitoring long distance telephone charges.
- Distributing annual notices to all IRS employees regarding the appropriate use of FTS 2000 services.
- Conducting an inventory of calling cards and cellular telephones.
- Implementing new calling card procedures.

In November 1999, the IRS designated the Chief, Information Technology Services, as the official responsible for the ownership, management, and control

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[4] A material weakness is a control deficiency that the agency head determines to be significant enough to be reported outside the agency (i.e., included in the annual FMFIA report to the President and the Congress).
[5] Federal Managers' Financial Integrity Act of 1982, 31 United States Code (U.S.C.) Sections 1105, 1113, and 3512 (1994 & Supp. IV 1998).

of all Telecommunications assets. In FY 2001, the IRS budgeted over $20 million[6] for FTS long distance and cellular telephone service.

Results

IRS management has initiated numerous corrective actions to improve controls in the telecommunications area; however, many of the completed corrective actions have not been fully implemented or have not been effective in controlling these costs.

Since late 1993, IRS management has initiated numerous corrective actions to improve controls in the telecommunications area; however, the monitoring of FTS long distance and cellular telephone charges continues to need improvement because many of the corrective actions have not been fully implemented or have not been effective in controlling these costs due to numerous reorganizations and unclear program accountability. Specifically, we determined that IRS management has not yet:

- Implemented an effective system for reviewing long distance charges to assure they are accurate and reasonable.
- Implemented effective policies and procedures for issuing cellular telephones to employees, maintaining cellular telephone inventories, and reviewing monthly cellular telephone charges.

In November 2000, Telecommunications Division management made an internal assessment of the IRS' status in addressing the material weaknesses regarding internal controls over its telecommunications costs. This assessment confirmed the results of our current review and reported that after nearly 7 years of attempting to improve controls in the telecommunications area, the IRS still does not have:

- Adequate telecommunications cost verification requirements and procedures.
- An adequate inventory of calling cards and cellular telephones.

[6] FTS telephone service includes: switched voice service, video conferencing, calling cards, and administrative toll-free services.

- Adequate procedures to ensure that managers control and monitor telecommunications costs.

Until the IRS corrects these longstanding issues, there is no assurance that expenditures for long distance and cellular telephone costs are accurate and necessary.

Long Distance Telephone Calls Are Not Reviewed

Various laws require federal government managers to maintain controls over the financial resources and assets of their agencies.

Various laws require federal government managers to maintain controls over the financial resources and assets of their agencies. For example:

- The FMFIA of 1982 requires agencies to establish and maintain adequate internal control systems. The FMFIA also requires that the agency head, on an annual basis no later than December 31, provide an assurance statement with respect to agency management controls and agency compliance with financial management system requirements.
- The Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control (revised June 1995), requires agency heads to provide reasonable assurance that resources are protected against waste, fraud, abuse, mismanagement, and misappropriation.
- The Federal Property Management Regulations 41CFR101-35.201 state that telephone calls placed over government-provided and commercial long distance systems that will be paid for or reimbursed by the government shall be used to conduct official business only.
- Treasury Directive 86-04, Authorized Use of Government Telephone Services (July 27, 1998), states that it is the policy of the Department of the Treasury to provide government telephone services to Treasury employees for official use. Within regulatory limitations, Treasury employees may use

government telephone services for necessary personal matters with minimal disruption in the accomplishment of work.

To comply with the various requirements to maintain controls over telecommunications resources and assets, the IRS has implemented several initiatives based partially on the 1993 and 1998 Internal Audit reports. For example, the IRS' Billing Analysis Reporting Tool provided for the review of FTS long distance telephone charges. However, several controls still need improvement as described below.

Questionable telephone calls are not being identified

In 1994, the IRS categorized the internal controls over its telecommunications costs as a material weakness.

In 1994, the IRS categorized the internal controls over its telecommunications costs as a material weakness as part of the FMFIA process. Since that time, the IRS has been involved in the development of several different computer systems that were to be used to better control long distance telephone costs, including calls made from the office or with calling cards. The various systems include the following:

- **FTS 2000 On-Line Certification of Usage System (FOCUS).** In 1993, the FOCUS system was implemented to identify questionable telephone and calling card calls. Management planned several improvements to the system, but subsequently decided to replace FOCUS with the Billing Analysis Reporting Tool.
- **Billing Analysis Reporting Tool (BART).** In March 1998, management implemented standardized procedures and four specific review criteria using the BART to assist them in identifying inefficient and unauthorized personal use of the telephone system. The criteria included:
  - Conference calls that were scheduled but not canceled timely.
  - Calls of 24 hours or longer.
  - Calls costing more than $100.

- Calls for 100 or more minutes to a non-government telephone after normal working hours.

In December 1998, management revised the four criteria into six criteria (see Appendix VI for the revised criteria) and presented the revised criteria to the National Treasury Employees Union (NTEU) for approval. IRS personnel were told not to generate or review any reports using the revised criteria until the NTEU approved the criteria.

When the IRS personnel stopped generating the reports based on the revised criteria, they also stopped regularly generating the reports on the four original criteria. As of May 9, 2001, IRS management had not received a response from the NTEU and IRS personnel were not generating any reports on a regular basis to identify potential telephone misuse.

- **Sprint Interactive Desktop Reporter (SPIDR).** In January 2000, the IRS began changing its long distance telephone service vendor from AT&T to Sprint as part of the government's FTS 2001 contract. Since the BART would no longer work with the new telephone service, the IRS decided to modify the SPIDR, an off-the-shelf billing analysis and reporting product provided by Sprint. The modified SPIDR was originally scheduled for operation in January 2001; however, unresolved programming issues and testing delayed its operation until March 2001. While the system is operational, it is not being used to generate reports on a regular basis for review. This system was envisioned as an interim system until the IRS could develop a more comprehensive system.
- **Telecommunications Asset Tool (TAT).** In July 2000, the IRS began developing the TAT as its permanent telecommunications monitoring and tracking system. The TAT will process and manage orders for telecommunications services; include an inventory of telecommunications assets/services; and

allow financial analysis, order tracking, electronic billing, billing verification, and asset/service reporting/verification. The TAT will replace the SPIDR and is scheduled for implementation in July 2001. In addition, the Director, Telecommunications Division, has requested a TIGTA audit of the TAT once it is fully operational.

Although the IRS has obtained several tools to help monitor long distance telephone costs, there were no regular reviews performed of these expenses due to the delays in implementing the software tools and the lack of detailed review procedures agreed to by the NTEU.

We reviewed the telephone billing information for March through August 2000 using both the four existing and six proposed criteria.

To determine the effect of the lack of monitoring the long distance costs, we reviewed the telephone billing information for March through August 2000 using both the four existing and six proposed criteria. Details of each of these reviews are contained in Appendices V and VI. Based on these reviews, we estimated the potential number of questionable calls and the costs for both sets of criteria for the remaining six months of Calendar Year (CY) 2000. See Appendix IV for the questionable telephone call estimate details. In summary, based on the results of our reviews and estimates, we found that there were:[7]

- Over 17,000 telephone calls costing approximately $1,092,200 (10,046 actual telephone calls costing $644,393 and 6,981 estimated calls costing $447,799) that would have been reviewed under the four criteria.
- Over 842,000 telephone calls costing $743,000 (496,947 actual telephone calls costing $438,370 and 345,336 estimated calls costing $304,630) that would have been reviewed under the six criteria.[8]

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[7] These figures cannot be combined because the original and revised criteria identify some of the same calls.

[8] The primary reasons for the differences, in the number and cost of the calls identified in the two bullet points, are that the revised criteria excluded telephone calls to government numbers and conference calls.

In addition to the cost of the telephone calls, there is also the potential of lost staff time on unauthorized or unnecessary telephone calls. During March through August 2000, there were 31,529 hours spent on calls meeting the 4 criteria and 126,935 hours spent on calls meeting the 6 criteria. We also estimated, for the remaining 6 months of CY 2000, that 21,910 hours may have been spent on calls meeting the 4 criteria and 88,209 hours may have been spent on calls meeting the 6 criteria.

Based on our March through August 2000 analysis, had management reviewed the call information, the following examples of questionable telephone calls could have been identified and resolved:

Table 1: Questionable Telephone Calls

Number of Calls	Hours of Usage	Cost	Comments
296	537	$70,659	Conference call charges to two calling cards.
1,110	0	$38,407	Charges for untimely cancellation of conference calls. • Twenty-six of the charges each cost more than $100 and totaled $3,128. • One calling card had 116 charges totaling $2,541.

Number of Calls	Hours of Usage	Cost	Comments
2,543	8,077	$26,000	Charges for calls made to 10 telephone numbers that were answered by modems.
10,122	1,353	$7,876	Charges for calls made between two IRS help desk telephones.
2	5	$4,523	Conference call charges for the same amount to the same calling card.
4,847	1,771	$3,667	Charges for calls made to three residential telephone numbers.

Source: IRS FTS long distance billing information for March through August 2000

Billing verification is not being performed

Although the BART implementation was completed in March 1998, a billing verification capability was never developed and implemented.

In September 1993, the IRS' Internal Audit function (now TIGTA) reported that the IRS was not verifying FTS billing charges in part because it had no national billing verification procedures. IRS management agreed to develop and implement billing verification policies and procedures using the BART. Although the BART implementation was completed in March 1998, a billing verification capability was never developed and implemented. Billing verification capability was also not provided when the SPIDR system became operational in March 2001.

IRS Telecommunications Division management attributed non-development of a billing verification process to the IRS' new way of doing business, which involves the centralization of all resources and the replacement of the SPIDR with the TAT. The IRS' current contract for the development of the TAT includes the development of procedures for reconciling FTS bills.

Until the Telecommunications Division adequately addresses the billing verification control weakness, the IRS is subjecting approximately $20 million for FTS long distance telephone service to potential overbilling.

Calling card inventory is not being performed

The IRS has no inventory of who has been issued the 35,000 AT&T federal calling cards that had $2,167,493 in charges in FY 2000.

The lack of effective calling card inventory controls was reported in September 1993 by the IRS' Internal Audit function (now TIGTA). In October 1993 and July 1994, the IRS established inventory databases for the AT&T calling cards and Sprint FONCARDs, respectively. The IRS committed to conducting annual inventories; however, only one inventory has been conducted during the past 7 years. Therefore, the IRS has no current inventory of who has been issued the 35,000 AT&T federal calling cards that had $2,167,493 in charges in FY 2000. Without an accurate calling card inventory, the IRS may not be able to trace identified questionable or abusive calls to the employees who made the calls.

The IRS' change in FTS contractors from AT&T to Sprint that began in January 2000 has prompted the issuance of Sprint FONCARDs to replace all AT&T calling cards. The AT&T calling cards are scheduled for mass cancellation after nationwide rollout to the Sprint FONCARD is completed.

Employee applications for FONCARDs are being processed through an Intranet application and paper forms. The application process requires two levels of managerial approval. There were a few instances where non-managerial employees registered as managers. IRS managers identified these instances and the incorrect applications were deleted. The employees were instructed on how to correctly apply for the FONCARD. Management advised that the Intranet application process is being revised.

Telecommunications Division management plans to implement new calling card procedures including:

- Adding the calling card number to the Treasury Automated Personnel System.
- Conducting annual managerial reviews of the calling card inventory.

Management advised that these procedures were implemented as of June 1, 2001.

Recommendations

The Deputy Commissioner for Modernization & Chief Information Officer should:

1. Ensure guidelines and procedures for reviews of long distance telephone charges using approved criteria are developed, implemented, and monitored, regardless of the software tool that is used to identify questionable calls.

Management's Response: IRS management will implement guidelines and procedures for reviews of long distance telephone charges using approved criteria. The Telecommunications Division is negotiating with the NTEU on seven review criteria. Also, management has drafted an Employee Informational Guide and Manager Informational Guide and is preparing an implementation plan and distribution procedures for exception reports.

2. Ensure guidelines and procedures for long distance telephone billing verification are developed, implemented, and monitored.

Management's Response: Telecommunications Division is implementing TAT Release 3 (Financial Module), which will validate services received against monthly call detail data. The TAT Release 4 (Billing Verification Module) functionality will include procedures for reviewing vendor long distance billing data and provide a variety of summary, detailed, and exception reporting. In addition, management requested a TIGTA assessment of the TAT after Release 3 (Financial Module) is operational in December 2001 as the monitoring process for the corrective action.

Office of Audit Comment: While we included an audit of the TAT in our FY 2002 Annual Audit Plan, TIGTA audits do not replace the need for management to monitor the corrective actions.

3. Conduct an annual inventory of calling cards.

Management's Response: The Telecommunications Division will inventory calling cards annually.

Controls Over the Cellular Telephone Inventory and Costs Are Not Effective

Federal government managers are required to maintain controls over the financial resources and assets of their agencies. The FMFIA requires agencies to establish and maintain adequate internal control systems. The OMB Circular A-123, Management Accountability and Control (revised June 1995), further requires agency heads to provide reasonable assurance that resources are protected against waste, fraud, abuse, mismanagement, and misappropriation.

Cellular telephone control weaknesses and the lack of national guidelines to control the acquisition or use of cellular telephones were reported in September 1993 by the IRS' Internal Audit function (now TIGTA). The IRS responded that it was going to monitor and control cellular telephone usage, establish an accurate inventory, and update the inventory as changes occurred.

The IRS is in the process of drafting national guidelines to centralize the issuance and usage of cellular telephones. The IRS also conducted a cellular telephone inventory in July 1994; however, no inventory has been conducted since that time and the corrective actions agreed to have not been completely implemented.

Although the IRS does not have a national inventory of all cellular telephones issued to its employees nationwide, cellular telephone coordinators and a

Service Center Operations representative provided the auditors with information showing that as of December 2000, the Washington, D.C. Metro Area had 801 cellular telephones and the 10 Service Centers had 173 cellular telephones. The explosive growth of the cellular telephone program is illustrated in the following table showing the growth experienced by the Washington, D.C. Metro Area over the past three fiscal years.

Table 2: Cellular Telephone Program Growth

Fiscal Year	# of Cellular Telephones	Costs	Percent Growth
1999	234	$240,000	--
2000	548	$447,000	186
2001	801 (as of Dec. 2000)	$600,000 (est.)[9]	134

Source: Washington, D.C. Metro Area Cellular Telephone Program Coordinator

The IRS continues to issue cellular telephones without having consistent nationwide practices and approved policies and procedures for managing the associated inventory and costs.

We also determined that the IRS continues to issue cellular telephones without having consistent nationwide practices and does not have approved policies and procedures for managing and monitoring the associated inventory and costs. There is also no policy defining who is authorized to get a cellular telephone, and only managerial approval is required. In addition, there is no uniform policy requiring managers to periodically review the business need for employees' cellular telephone calls and initiate corrective actions where warranted. As a result, the IRS may be incurring additional costs because:

- **Employees are not reimbursing the IRS for personal usage of cellular telephones.**

  Only one of the three offices reviewed requires employees to validate their monthly cellular invoices

[9] The estimated cost is based on an assumption that the $50,000 average monthly expense for October and November 2000 will remain the same throughout the year ($50,000 x 12 = $600,000).

for accuracy and reimburse the IRS for any personal calls. Although $2,300 of this office's cellular telephone costs of $447,000 were reimbursed by employees in FY 2000, there were no managerial reviews of the cellular invoices to assure there was a business need for the calls and the accuracy of the reimbursements.

- **The most cost-effective cellular telephone plan is not assigned to new cellular telephone users.**

The following table provides three examples of exorbitant cellular telephone charges in the first month of usage by new cellular telephone users. Revising the employee's cellular telephone plan in the second month resulted in a significant cost reduction.

Table 3: Cellular Telephone Program Billing Examples

Employee	First Month Billing (October 2000)	Second Month Billing (November 2000)
1	$1,086	$222
2	$545	$225
3	$543	$222

Source: Washington, D.C. Metro Area Cellular Telephone Program Coordinator

Telecommunications Division management informed us that the first month's bills were high because new users were assigned an economically priced basic rate plan with a low number of minutes without attempting to determine their planned calling needs.

- **Cellular telephones may have been issued to or retained by employees without a need to have a cellular telephone.**

  Cellular telephones are issued to new users based on a manager's approval. However, there are no national guidelines that define valid business needs that warrant a cellular telephone.

  In addition, cellular telephones may be retained by users who no longer have a business need because there is no requirement for managers to periodically re-certify an employee's need. For example, management advised that at the end of the Year 2000 (Y2K) project, a significant number of the personnel who worked on the Y2K project were allowed to keep their cellular telephones without re-certification based on their new assignment. The cost of all Y2K cellular telephones for FY 2000 was approximately $73,500.

We reviewed three offices and identified different practices when assigning new users to a cellular telephone plan. The practices followed were:

- In 2 offices, new users were automatically assigned to a basic plan (e.g., $13.95 per month) with low minutes until a usage pattern could be determined. The user's plan was then adjusted to a plan with higher minutes, if appropriate.
- In one office, new users were assigned to a per-minute usage basis.

In addition, only one of the three offices issued local guidelines explaining appropriate use of cellular telephones. These guidelines provided that cellular telephones:

- Are for emergency official use only.
- Are not intended to replace the use of a desk telephone.
- Should not be used for contact during travel status, unless otherwise directed.

- Should not be used to access voice mail.
- Should not be used to dial 800 numbers.
- Should not be used for long distance calls.

Although these IRS offices employed some local policies and procedures to help monitor cellular telephone costs, there were no consistent nationwide practices or requirements because the cellular telephone program has not been centralized nor a manager assigned responsibility for the program's effectiveness. Without consistent policies and procedures for managing the cellular telephone program costs and inventory, the IRS will continue to be at risk of excessive charges.

In its efforts to resolve the reported cellular telephone program control weaknesses, the Telecommunications Division is considering a best practice from another federal agency. The best practice involves reimbursing personal cellular telephone users for official government business calls in lieu of providing those users with a government cellular telephone. According to the IRS Business Performance Review dated February 21, 2001, the IRS plans to pilot the best practice in the Washington, D.C. area.

Recommendations

The Deputy Commissioner for Modernization & Chief Information Officer should:

4. Ensure national guidelines and procedures for cellular telephone issuance and usage throughout the IRS are developed, implemented, and monitored.

Management's Response: The Telecommunications Division will develop and issue guidelines for cellular telephone usage and establish a centralized authority to ensure cellular telephone procurements and usage comply with the guidelines. The Telecommunications Division also began design of a website to provide information about available services and equipment, to process requests for new service and renewal service, and to maintain an inventory. Also, the Telecommunications Division will ensure that users are on the right billing plan.

5. Conduct an annual inventory of cellular telephones.

Management's Response: The Telecommunications Division will conduct an annual inventory of cellular telephones. In July 2001, the Telecommunications Division issued a Request for Information to the industry for off-the-shelf software that will assist in tracking inventory, tracking usage, and ensuring users are on the correct billing plan. With inventory tracking software, the Telecommunications Division may not need centralized purchase of cellular telephones to provide an annual inventory.

Conclusion

Internal controls over telecommunications costs have been categorized as an FMFIA material weakness since 1994. The IRS has prepared numerous action plans and initiated several corrective actions to improve the controls over these costs. However, controls over long distance charges, calling cards, and the cellular telephone program continue to need improvement because many of the corrective actions have not been fully implemented or have not been effective in controlling these costs. Until the IRS corrects these longstanding issues, there is no assurance that expenditures for long distance and cellular telephone costs are accurate and necessary.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether the Internal Revenue Service (IRS) effectively manages the telecommunications costs related to Federal Telecommunications System (FTS)[1] long distance calls, calling cards, and cellular telephones. To accomplish the objective, we:

I. Determined the current status of the corrective actions reported in the November 9, 2000, Federal Managers' Financial Integrity Act Progress Report to address the material weaknesses in the IRS' controls over its telecommunications costs and who was responsible for ensuring that the corrective actions were adequately addressed and closed.

II. Determined whether the IRS effectively implemented the Billing Analysis Reporting Tool (BART) program, including the status of corrective actions reported in the prior audit reports, *Review of the Service's Controls over Voice Telecommunications Charges* (Reference Number 034908, dated September 1993) and *Review of the Service's Efforts to Control Off-Net Long Distance Telecommunications Costs* (Reference Number 082603, dated March 1998).

   A. Determined if BART procedures and review criteria were developed to identify unauthorized personal use of FTS 2000.

      1. Interviewed IRS representatives at the National Headquarters in the New Carrollton Federal Building.

      2. Obtained current BART policy and guidelines.

      3. Obtained BART procedures outlining the review process for identifying unauthorized and potentially abusive personal use of the telephone system.

   B. Reviewed BART policy and procedures and determined if the roles and responsibilities of all managers were clearly defined.

   C. Interviewed BART coordinators and determined if established BART criteria and procedures were consistently applied to ensure equitable treatment of IRS employees.

[1] The General Services Administration FTS provides a comprehensive program of voice, data, and video services to government agencies.

D. Evaluated the effectiveness of the BART standard and exception reports review process.

1. Determined what standard reports were produced and their frequency.
2. Determined what exception reports were produced and their frequency (included the Federal Calling Card Signature Reports).
3. Determined whether potentially abusive calls were being identified in the generated reports.
4. Determined how often management requested and reviewed the exception reports.
5. Determined if management initiated corrective action when inappropriate telephone use or charges were identified from their reviews.

E. Determined if the IRS completed a call detail capability study and devised plans for controlling costs at offices where cost data were not available.

F. Determined if the IRS developed and submitted new measures to the Strategic Planning Division for controlling off-net costs that could be equitably applied to all geographic locations.

III. Reviewed FTS and Federal calling card data to identify instances of questionable or excessive off-net long distance and calling card calls that warrant management attention.

A. Obtained from IRS management the FTS and Federal calling card data stored on AT&T FTS 2000 Compact Disks (CD) for the months of March through August 2000.

B. Validated the telephone call data for the six-month period by confirming that there were calls for every day of the month (except for Federal holidays) and comparing the number of long distance information calls from the CDs for June 2000 to the counts from the BART website.

C. Generated and analyzed the standard query reports using the data and programs from the BART website based on the original and revised BART review criteria for all areas from March through August 2000.

1. Generated the reports for the original standard BART review criteria.
   a. Criteria #1 - Calls for zero (0) minutes of usage which generated charges due to conference calls not canceled timely.

b. Criteria #2 - Calls for 1,440 minutes (24 hours) or more of continuous connect time.

c. Criteria #3 - $100 or more of charges generated for a single call.

d. Criteria #4 - 100 or more minutes for an off-net, after hours call.

2. Generated the reports for the revised BART review criteria.

   a. Criteria #1 - Federal calling card calls, 30 minutes or greater, to non-government numbers, excluding calls to the IRS' 800 numbers and all conference calls.

   b. Criteria #2 - Non-calling card calls, 60 minutes or greater to non-government numbers, excluding calls to the IRS' 800 numbers, calls from 700 numbers,[2] and all conference calls.

   c. Criteria #3 - Same non-government number called 15 or more times for an aggregate of 200 minutes or more, excluding calls to the IRS' 800 numbers and calls from 700 numbers.

   d. Criteria #4 - After hours calls (8:00 p.m. to 4:00 a.m.) to non-government numbers, excluding calling card calls less than 15 minutes.

   e. Criteria #5 - Calls to non-government numbers at questionable destinations (i.e., area codes 809 [Caribbean] and 702 [Nevada]), excluding calls originating in area code 702.

   f. Criteria #6 - Cancellation fines for conference calls not canceled timely.

3. Summarized call data by feature code and created a BART query for the following scenarios that have potential for identifying waste and/or abuse.

   a. Calls to area code 900.

   b. Calls for long distance information.

4. Analyzed the reports generated from running the BART queries (tests III.C.1. and III.C.2.) to identify potentially abusive telephone use patterns.

IV. Evaluated the development of the Telecommunications Asset Tool (TAT).

A. Determined the status of the development of the TAT.

[2] 700 numbers represent telephone numbers within the FTS Virtual Private Network.

B. Determined if a process was in place for gathering the requirements needed to help ensure that the TAT will be designed as an effective and efficient telecommunications cost control tool.

V. Evaluated management's efforts to ensure that the Sprint Interactive Desktop Reporter (SPIDR) will be ready for use when all telephone services have cutover to Sprint.

A. Determined how management was assured that the SPIDR would be capable of providing the same data, query capabilities, and reports provided by the BART.

B. Determined the status of the SPIDR reprogramming efforts.

VI. Followed up on the problem that calling card applicants were having in accessing the website to apply for new calling cards.

A. Determined the cause of the access problem and what was done to resolve it.

B. Determined if controls were in place to ensure that only authorized users could apply for or receive the new calling cards.

VII. Determined the effectiveness of controls over cellular telephone acquisitions, use, and costs.

A. Reviewed the National Headquarters' policies and procedures for managing and monitoring the cellular telephone inventory and costs.

B. Determined who was responsible for managing and monitoring the cellular telephone inventory and costs for the former regions.

C. Interviewed and obtained documentation from three cellular telephone program coordinators to evaluate:

1. Current policies on cellular telephone acquisition, distribution, and usage.
2. Criteria used for assigning cellular telephone plans (i.e., the number of minutes).
3. How the cellular telephone program coordinators controlled their inventories.
4. What happens to a cellular telephone and its service when an employee leaves the IRS or transfers to another office and/or business unit.
5. The process for verifying the cellular telephone call charges.
   a. Evaluated the criteria used to identify inappropriate telephone use or excessive charges.

b. Determined if management initiated corrective actions when inappropriate telephone use or charges were identified.

VIII. Evaluated the current guidelines and procedures for FTS billing verification.

IX. Determined the best practices used by other Federal agencies for controlling and monitoring FTS long distance, calling card, and cellular telephone use and costs.

Appendix II

Major Contributors to This Report

Scott E. Wilson, Assistant Inspector General for Audit (Information Systems Programs)
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Appendix III

Report Distribution List

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    Chief, Audit Assessment and Control Section M:SP:P
    Director, Telecommunications M:I:T

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

- Protection of resources - Potential
- $1,092,200 for calls identified by the four original review criteria (see page 4).[1]

Methodology Used to Measure the Reported Benefit:

March through August 2000 was the 6-month period immediately preceding the beginning of the audit for which detailed billing information was available for review. Therefore, we used this time period for our billing information analysis. We also estimated the results of our March through August analysis over the remainder of Calendar Year (CY) 2000 based on the total number of calls for the year. We assumed that the rate of questionable calls for the estimated 6 months would be the same as the rate of questionable calls for our March through August review period.

We reviewed AT&T long distance telephone call and calling card billing information provided to us via the Internal Revenue Service's (IRS) Billing Analysis Reporting Tool (BART) Intranet website for the months of January through December 2000. The total number of calls for CY 2000 was 27,902,233. There were 16,431,989 (59 percent) calls billed during the period of March through August 2000 and 11,470,244 (41 percent) calls billed during the other 6 months of CY 2000 (i.e., January, February, and September-December). We analyzed the billing information for March through August 2000 by applying the four original IRS-approved review criteria and the six revised IRS-approved review criteria.

[1] The four original review criteria are the only criteria approved by management and the National Treasury Employees Union for conducting telephone call analysis. Therefore, we selected this amount for the value of the outcome measure instead of the amount for the six revised review criteria.

Long Distance Telephone Call and Calling Card Volume for CY 2000

Overall Volume	27,902,233
March-August 2000 Review Period:	
Volume	16,431,989
Percentage of Overall Volume (16,431,989/27,902,233)	59%
Remaining Six-Month Period of January, February, and September-December 2000:	
Volume	11,470,244
Percentage of Overall Volume (11,470,244/27,902,233)	41%

Calls Meeting the Four Original Review Criteria for CY 2000

Actual for March-August 2000 Review Period:

Number of calls	10,046
Duration of calls	31,529 hours
Cost of calls	$644,393

Estimated for Remaining Months of January, February, and September-December 2000:

Estimated number of questionable calls

$$\frac{\text{Percent of calls for March-August 2000 } (\mathbf{59\%})}{\text{Percent of calls for January, February, and September-December 2000 } (\mathbf{41\%})} = \frac{\text{Number of actual questionable calls for March-August 2000 } (\mathbf{10{,}046})}{\text{Number of estimated questionable calls for January, February, and September-December 2000 } (\mathbf{X1})}$$

0.59 * **X1** = 0.41 * **10,046**
0.59 * **X1** = 4,118.86
X1 = 4,118.86 / 0.59
X1 = 6,981 estimated CY 2000 questionable calls for January, February, and September-December 2000

The number of CY 2000 questionable calls identified by the four original review criteria:

Actual March through August:	10,046
Estimated remaining 6 months:	6,981
Total	17,027

Estimated duration (in hours) of questionable calls

Percent of calls for March-August 2000 (**59%**)	=	Actual duration of questionable calls for March-August 2000 (**31,529** hours)
Percent of calls for January, February, and September-December 2000 (**41%**)		Estimated duration (in hours) of questionable calls for January, February, and September-December 2000 (**Y1**)

0.59 * **Y1** = 0.41 * **31,529** hours
0.59 * **Y1** = 12,926.89 hours
Y1 = 12,926.89 hours / 0.59
Y1 = 21,910 estimated hours spent on CY 2000 questionable calls for January, February, and September-December 2000

The duration of CY 2000 questionable calls identified by the four original review criteria:

Actual March through August:	31,529
Estimated remaining 6 months:	21,910
Total	53,439

Estimated cost of questionable calls

Percent of calls for March-August 2000 (**59%**)	=	Actual cost of questionable calls for March-August 2000 (**$644,393**)
Percent of calls for January, February, and September-December 2000 (**41%**)		Estimated cost of questionable calls for January, February, and September-December 2000 (**Z1**)

0.59 * **Z1** = 0.41 * **$644,393**
0.59 * **Z1** = $264,201.13
Z1 = $264,201.13 / 0.59
Z1 = $447,799 estimated cost of CY 2000 questionable calls for January, February, and September-December 2000

The cost of CY 2000 questionable calls identified by the four original review criteria:

Actual March through August:	$644,393
Estimated remaining 6 months:	$447,799
Total	$1,092,192 (rounded to $1,092,200)

Calls Meeting the Six Revised Review Criteria for CY 2000

Actual for March-August 2000 Review Period:

Number of calls	496,947
Duration of calls	126,935 hours
Cost of calls	$438,370

Estimated for Remaining Months of January, February, and September-December 2000:

Estimated number of questionable calls

$$\frac{\text{Percent of calls for March-August 2000 } (\mathbf{59\%})}{\text{Percent of calls for January, February, and September-December 2000 } (\mathbf{41\%})} = \frac{\text{Number of actual questionable calls for March-August 2000 } (\mathbf{496{,}947})}{\text{Number of estimated questionable calls for January, February, and September-December 2000 } (\mathbf{X2})}$$

0.59 * **X2** = 0.41 * **496,947**
0.59 * **X2** = 203,748.27
X2 = 203,748.27 / 0.59
X2 = 345,336 estimated CY 2000 questionable calls for January, February, and September-December 2000

The number of CY 2000 questionable calls identified by the six revised review criteria:

Actual March through August:	496,947
Estimated remaining 6 months:	345,336
Total	842,283

Estimated duration (in hours) of questionable calls

Percent of calls for March-August 2000 (**59%**)	=	Actual duration of questionable calls for March-August 2000 (**126,935** hours)
Percent of calls for January, February, and September-December 2000 (**41%**)		Estimated duration (in hours) of questionable calls for January, February, and September-December 2000 (**Y2**)

0.59 * **Y2** = 0.41 * **126,935** hours
0.59 * **Y2** = 52,043.35 hours
Y2 = 52,043.35 hours / 0.59
Y2 = 88,209 estimated hours spent on CY 2000 questionable calls for January, February, and September-December 2000

The duration of CY 2000 questionable calls identified by the six revised review criteria:

Actual March through August:	126,935
Estimated remaining 6 months:	88,209
Total	215,144

Estimated cost of questionable calls

Percent of calls for March-August 2000 (**59%**)	=	Actual cost of questionable calls for March-August 2000 (**$438,370**)
Percent of calls for January, February, and September-December 2000 (**41%**)		Estimated cost of questionable calls for January, February, and September-December 2000 (**Z2**)

0.59 * **Z2** = 0.41 * **$438,370**
0.59 * **Z2** = $179,731.70
Z2 = $179,731.70 / 0.59
Z2 = $304,630 estimated cost of CY 2000 questionable calls for January, February, and September-December 2000

The cost of CY 2000 questionable calls identified by the six revised review criteria:

Actual March through August:	$438,370
Estimated remaining 6 months:	$304,630
Total	$743,000

Appendix V

Telephone Call Data Analysis for the Original Review Criteria

This appendix presents detailed results from our analysis of AT&T telephone call data for the months of March through August 2000. In conducting the analysis, we generated reports from the Internal Revenue Service's (IRS) Billing Analysis Reporting Tool (BART) website using the four original IRS-established BART review criteria.

Original BART Review Criteria #1: Calls for zero minutes of usage which generated charges primarily due to conference calls not canceled timely.

- Total Call Count - 1,110
- Total Call Hours - 0
- Total Call Cost - $38,407

TIGTA Observations for Criteria #1:

Number of Calls	Hours of Usage	Cost	Comments
26	0	$3,128	Charges of more than $100 per call.
116	0	$2,541	Charges to one calling card for untimely cancellation of conference calls.

Original BART Review Criteria #2: Calls for 1,440 minutes (24 hours) or more of continuous connect time.

- Total Call Count - 286
- Total Call Hours - 7,770
- Total Call Cost - $11,341

TIGTA Observations for Criteria #2:

Number of Calls	Hours of Usage	Cost	Comments
47	1,141	$2,304	Charges for calls made to one residential telephone number.
8	371	$669	Charges for calls made to five telephone numbers that were answered by modems.

Original BART Review Criteria #3: $100 or more of charges generated for a single call.

- Total Call Count - 2,455
- Total Call Hours - 5,086
- Total Call Cost - $546,826

TIGTA Observations for Criteria #3:

Number of Calls	Hours of Usage	Cost	Comments
2	5	$4,523	Conference call charges for the same amount to the same calling card.
296	537	$70,659	Conference call charges to two calling cards. • 153 charges cost $44,345 for 254 hours of usage. • 143 charges cost $26,314 for 283 hours of usage.

Original BART Review Criteria #4: 100 or more minutes for an off-net, after hours call.

- Total Call Count - 6,195
- Total Call Hours - 18,673
- Total Call Cost - $47,819

TIGTA Observations for Criteria #4:

Number of Calls	Hours of Usage	Cost	Comments
1	34	$70	Charge for a call made to a bank's automated attendant system.
2,534	7,669	$25,217	Charges for calls made to four telephone numbers that were answered by modems.

Overall Totals For The Original Four BART Review Criteria:

- Total Call Count - 10,046
- Total Call Hours - 31,529
- Total Call Cost - $644,393

Appendix VI

Telephone Call Data Analysis for the Revised Review Criteria

This appendix presents detailed results from our analysis of AT&T telephone call data for the months of March through August 2000. In conducting the analysis, we generated reports from the Internal Revenue Service's (IRS) Billing Analysis Reporting Tool (BART) website using the six revised IRS-established BART review criteria.

Revised BART Review Criteria #1: Off-net, calling card calls, 30 minutes or greater -- excluding calls to the IRS' 800 numbers and all conference calls.

- Total Call Count - 30,959
- Total Call Hours - 34,486
- Total Call Cost - $138,017

TIGTA Observation for Criteria #1:

Number of Calls	Hours of Usage	Cost	Comments
1	35	$134	Charge for a call made to a telephone number answered by a modem (NOTE: This telephone charge is also captured in the charges listed in criteria #4 of Appendix V.).

Revised BART Review Criteria #2: Off-net, non-calling card calls, 60 minutes or greater -- excluding calls to the IRS' 800 numbers, calls from 700 numbers,[1] and all conference calls.

- Total Call Count - 16,657
- Total Call Hours - 28,285
- Total Call Cost - $49,115

TIGTA Observations for Criteria #2:

Number of Calls	Hours of Usage	Cost	Comments
1	37	$125	Charge for a call made to a hotel.
1	37	$114	Charge for a call made to a telephone number answered by a modem.

[1] 700 numbers represent telephone numbers within the FTS Virtual Private Network.

<u>Revised BART Review Criteria #3</u>: Same off-net number called 15 times or greater for an aggregate of 200 minutes or more -- excluding calls to the IRS' 800 numbers and calls from 700 numbers.

- Total Call Count - 159,341
- Total Call Hours - 44,503
- Total Call Cost - $138,222

TIGTA Observations for Criteria #3:

Number of Calls	Hours of Usage	Cost	Comments
4,767	613	$1,288	Charges for calls made to one residential telephone number.
10,122	1,353	$7,876	Charges for calls made between two IRS help desk telephones.
5,553	61	$1,473	Charges for directory assistance calls originating from the same telephone number.

<u>Revised BART Review Criteria #4</u>: Off-net after hours calls -- excluding calling card calls less than 15 minutes.

- Total Call Count - 251,800
- Total Call Hours - 18,033
- Total Call Cost - $67,764

TIGTA Observations for Criteria #4:

Number of Calls	Hours of Usage	Cost	Comments
33	17	$75	Charges for calls made to one residential telephone number.
262	2	$5	Charges for calls made to the Massachusetts Lottery.

<u>Revised BART Review Criteria #5</u>: Off-net calls to questionable destinations (Area codes 809 (Caribbean) and 702 (Nevada)) -- excluding calls originating in area code 702.

- Total Call Count - 37,143
- Total Call Hours - 1,628
- Total Call Cost - $6,436

TIGTA Observation for Criteria #5:

Number of Calls	Hours of Usage	Cost	Comments
3,832	42	$1,056	Charges for directory assistance calls.

<u>Revised BART Review Criteria #6</u>: Cancellation fines for conference calls not canceled timely.

- Total Call Count - 1,047
- Total Call Hours - 0
- Total Call Cost - $38,816

TIGTA Observations for Criteria #6: Our observations using this criteria were the same as those already outlined for criteria #1 in the observations table of Appendix V.

<u>Overall Totals For The Revised Six BART Review Criteria:</u>

- Total Call Count - 496,947
- Total Call Hours - 126,935
- Total Call Cost - $438,370

Appendix VII

Management's Response to the Draft Report

'UTY COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

RECEIVED
SEP 18 2001

September 12, 2001

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: John C. Reece
Deputy Commissioner for Modernization and Chief Information Officer

SUBJECT: Management Response to Draft Audit Report – Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement (Audit No. 200120008)

Thank you for the opportunity to comment on your draft report dated August 6, 2001, concerning the IRS' need for continued improvement in the review and validation of long distance and cellular telephone costs.

We agree with your recommendations to address the issues identified by your staff and previous audits. Your staff audited this program at a critical time during the design of a comprehensive automated system, which, when fully implemented, will assist us in addressing the issues in your report. In our March 26, 2001, memorandum, "Post Review of the Telecommunications Asset Tool (TAT)," we requested a follow-up audit to assess the effectiveness of our actions once TAT is implemented.

In addition to the specified recommendations, we will continue our efforts to ensure telecommunication funds are spent efficiently, and that our resources are not subject to waste, fraud, or abuse.

If you have any questions, please call me at 202-622-6800. Members of your staff can call John Mierzeski, Acting Office Manager, Program Oversight and Coordination at 202-283-5987.

Attachment

cc: Associate Inspector General for Audit (Information Systems Programs)
Director, Legislative Affairs

Attachment

Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement" (Audit No. 200120008)

Recommendation #1

The Deputy Commissioner for Modernization & CIO should assure guidelines and procedures for reviews of long distance telephone charges using approved criteria are developed, implemented, and monitored, regardless of software tool that is used to identify questionable calls.

Assessment of Cause #1

We have always been able to review questionable telephone calls using dedicated resources. In the past, Information Technology Services (ITS) assigned this responsibility to follow up on questionable calls to designated telecommunications employees. The National Treasury Employees' Union (NTEU) advised IRS to stop this process. Negotiations with NTEU on the type of reviews and review responsibilities are the primary delay in implementing new procedures for review of questionable telephone calls.

Corrective Action for Recommendation #1

We will implement guidelines and procedures for reviews of long distance telephone charges using approved criteria.

Telecommunications Division is negotiating with NTEU on seven review criteria to be used by the Telecommunications Asset Tool (TAT) to isolate questionable calls for review.

We developed a draft Employee Informational Guide and Manager Informational Guide, and are developing an implementation process and procedures for distribution of review criteria exception reports.

Implementation Date of Corrective Action #1

Proposed: December 1, 2001

Responsible Official(s) for Corrective Action #1

Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Information Technology Services M:I
Director, Telecommunications Division M:I:T

Attachment

**Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement"
(Audit No. 200120008)**

Corrective Action Monitoring Plan #1

When the Telecommunications Division implements TAT, we will review questionable charges using TAT's built-in review cycles. Also, the Director, Telecommunications Division, asked TIGTA to perform a follow-up audit after December 2001, to ensure we have resolved all issues in the report.

Recommendation #2

The Deputy Commissioner for Modernization & CIO should assure guidelines and procedures for long distance telephone billing verification are developed, implemented, and monitored.

Assessment of Cause #2

The primary reason for the delay in implementing procedures for the long distance billing verification is the lack of resources as well as the recently completed transition from one contract to another. Reviewing the bills was an extremely labor intensive manual effort. Therefore, we conducted reviews at a high level only. In addition, existing systems were severely limited in their ability to adequately validate invoices.

Corrective Action for Recommendation #2

Telecommunications Division will implement Telecommunications Asset Tool (TAT) Release 4 with procedures for verifying long distance billing.

We are addressing system constraints in the development of TAT, the comprehensive automated tool. Telecommunications Division is rolling out TAT Release 3 (Financial Module), which will validate services received against monthly call detail data. The Telecommunications Asset Tool (TAT) Release 4 (Billing Verification Module) functionality will include procedures for reviewing vendor long distance billing data that will validate services ordered against monthly billing and provide a variety of summary, detailed, and exception reporting.

Implementation Date of Corrective Action #2

Proposed: March 1, 2002

Attachment

**Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement"
(Audit No. 200120008)**

Responsible Official(s) for Corrective Action #2

Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Information Technology Services M:I
Director, Telecommunications Division M:I:T

Corrective Action Monitoring Plan #2

The Director, Telecommunications Division, sent TIGTA a March 26, 2001, memo, "Post Review of the Telecommunications Asset Tool," asking them to assess TAT when Release 3 is operational in December 2001. This audit is a scheduled priority for TIGTA FY 2002 Workplan.

Recommendation #3

The Deputy Commissioner for Modernization & CIO should conduct an annual inventory of calling cards.

Assessment of Cause #3

The primary reason for not having a calling card inventory is that there was no centralization of ordering the calling cards. Under FTS2000, calling cards were ordered and maintained by designated employees in Telecommunications and other field offices who used individual methods for keeping inventory, i.e., database, spreadsheet, log book, etc.

Corrective Action for Recommendation #3

Telecommunications Division will inventory calling cards annually using the TAT Treasury Automated Personnel System (TAPS)/Custody Module that contains the calling card information by cardholder.

Implementation Date of Corrective Action #3

Proposed: March 1, 2002

Attachment

Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement"
(Audit No. 200120008)

Responsible Official(s) for Corrective Action #3

Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Information Technology Services M:I
Director, Telecommunications Division M:I:T

Corrective Action Monitoring Plan #3

Telecommunication Division will review and validate the inventory database during the Second Quarter of FY 2002. Management will review and validate cards assigned to their employees.

Recommendation #4

The Deputy Commissioner for Modernization & CIO should assure national guidelines and procedures for cellular telephone issuance and usage throughout the IRS are developed, implemented, and monitored.

Assessment of Cause #4

Telecommunications Division did not develop national guidelines and procedures for cellular telephone usage and issuance because we had no centralized process for procuring and issuing cellular telephones.

Corrective Action for Recommendation #4

Telecommunications Division will implement national guidelines and procedures for cellular telephone issuance, usage, and monitoring.

The IRS established a project team in early Calendar Year 2001 to develop and issue guidelines for cellular telephone usage and to establish a centralized authority to monitor cellular telephone usage to ensure that all activities related to cellular telephone procurement and use comply with the guidelines.

In July 2001, the Telecommunications Division began design of a web-based online request for service. This web site will provide the types of service plans available, types of equipment, and costs. We will process all requests for renewal service and new service through the web site. The program will include an inventory module. Telecommunications Division plans to implement phase one (basic service ordering and inventory) in November 2001.

Attachment

**Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement"
(Audit No. 200120008)**

Implementation Date of Corrective Action #4

Proposed: December 1, 2001

Responsible Official(s) for Corrective Action #4

Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Information Technology Services M:I
Director, Telecommunications Division M:I:T

Corrective Action Monitoring Plan #4

Telecommunications Division will use the Web site, monthly, to monitor each employee's cell phone's usage, identify possible misuse, and ensure that users are on the right billing plan.

Recommendation #5

The Deputy Commissioner for Modernization & CIO should conduct an annual inventory of cellular telephones.

Assessment of Cause #5

Telecommunications Division did not conduct an annual inventory of cellular telephones because cellular telephones procurement was not centralized.

Corrective Action for Recommendation #5

Telecommunications Division will conduct an annual inventory of cellular telephones.

The IRS established a project team in the Second Quarter, Calendar Year 2001 to develop an inventory and tracking system to monitor the IRS use of cellular telephones. In July 2001, Telecommunications Division issued a Request for Information (RFI) to the industry for off-the-shelf software that will assist in tracking inventory, tracking usage, and ensuring users are on the correct billing plan. With inventory tracking software, the Telecommunications Division may not need centralized purchase of cellular telephones to provide an annual inventory.

Implementation Date of Corrective Action #5

Attachment

Management Response to Draft Audit Report – "Monitoring of Long Distance and Cellular Telephone Costs Continues to Need Improvement"
(Audit No. 200120008)

Proposed: January 1, 2002

Responsible Official(s) for Corrective Action #5

Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Information Technology Services M:I
Director, Telecommunications Division M:I:T

Corrective Action Monitoring Plan #5

In July 2001, the Telecommunications Division began design of a web-based online request for service. By January 1, 2002, we expect the successful vendor providing the inventory/tracking software tool will be linked to the Web Services Page. This functionality will enable Telecommunications personnel to maintain cell phone inventory per device per employee.